

ORIGINAL



0000137121

MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea
Director
Utilities Division

DATE: June 1, 2012

RE: STAFF REPORT FOR MICHAEL W. SCHULTZ & PAMELA J. SCHULTZ DBA
RINCON CREEK WATER COMPANY APPLICATION FOR APPROVAL OF
THE CANCELLATION OF CERTIFICATE OF CONVENIENCE AND
NECESSITY (DOCKET NO: W-03783A-12-0023)

Attached is the Staff Report for the application of the cancellation Certificate of Convenience and Necessity for Michael W. Schultz & Pamela J. Schultz dba Rincon Creek Water Company. Staff recommends approval with conditions.

SMO:KMS:tdp

Originator: Kiana M. Sears

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2012 JUN -1 P 3:02

AT 2012 JUN -1 P 3:02
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

JUN 01 2012

DOCKETED BY
Jm

Service List for: Michael W. Schultz & Pamela J. Schultz dba Rincon Creek Water Company
Docket No. W-03783A-12-0023

Mr. Michael Schultz
14545 East Rincon Creek Ranch Road
Tucson, Arizona 85747

Mr. William Shirley
14545 East Rincon Creek Ranch Road
Tucson, Arizona 85747

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

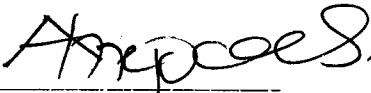
APPROVAL OF CANCELLATION OF CERTIFICATE OF
CONVENIENCE AND NECESSITY OF
MICHAEL W. SCHULTZ & PAMELA J. SCHULTZ DBA
RINCON CREEK WATER COMPANY


DOCKET NO. W-03783A-012-0023

JUNE 1, 2012

STAFF ACKNOWLEDGMENT

The Staff Report for Michael W. Schultz & Pamela J. Schultz dba Rincon Creek Water Company. Docket No. W-03783A-12-0023 was prepared by the Staff members shown below.

for 
Kiana M. Sears
Executive Consultant I


Dorothy Hains
Utilities Engineer

EXECUTIVE SUMMARY
MICHAEL W. SCHULTZ & PAMELA J. SCHULTZ DBA
RINCON CREEK WATER COMPANY
DOCKET NO. W-03783A-12-0023

On January 23, 2012 Rincon Creek Water Company ("Rincon" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for approval to cancel the Certificate of Convenience and Necessity ("CC&N"). Rincon is an Arizona corporation, granted a CC&N on April 30, 1959. Rincon's CC&N service territory is approximately one and three-quarter square mile in Sections 13, 14 and 23 of Township 15 South, Range 16 East and Section 18 in Township 15 South, Range 17 East located in Pima County.

Rincon's water system is classified a semi-public water system by the Arizona Department of Environmental Quality ("ADEQ") because the system serves less than 15 connections. Because Rincon Creek water system is classified a semi-public water system it is not subject to ADEQ's monitoring and reporting requirements and a water quality compliance status report is not available for the system. Rincon's water system consists of two wells, two storage tanks, two pressure tanks and a distribution system. Rincon is in compliance with the Commission and Arizona Department of Water Resource's ("ADWR") requirements. Staff concludes that the water system has adequate capacity to serve existing customers.

All the current customers of Rincon own equal portions of the water system. Therefore, Staff recommends that the Commission approve the cancellation of Rincon CC&N.

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INTRODUCTION

On January 23, 2012 Rincon Creek Water ("Rincon" or "Company") filed an application with the Arizona Corporation Commission ("Commission") for approval to cancel the Certificate of Convenience and Necessity ("CC&N"). Rincon is an Arizona corporation, granted a CC&N on April 30, 1959. Rincon's CC&N service territory is approximately one and three-quarter square mile in Sections 13, 14 and 23 of Township 15 South, Range 16 East and Section 18 in Township 15 South, Range 17 East located in Pima County. In a previous docket, on May 3, 2010, Rincon filed an application with the Arizona Commission for approval of the sale of assets and transfer of its CC&N to Mr. William Shirley. This request has been withdrawn and the docket has been closed, with the documents of that docket transferred to this current docket. Staff agrees with the dismissal of the former application and supports the filing of the new application based on changes within the CC&N territory.

COMPANY WATER SYSTEM AND COMPLIANCE

Rincon's water system consists of two wells, two storage tanks, two pressure tanks and a distribution system. Rincon's water system is classified a semi-public water system by the Arizona Department of Environmental Quality ("ADEQ") because the system serves less than 15 connections. Because Rincon's water system is classified a semi-public water system it is not subject to ADEQ's monitoring and reporting requirements and a water quality compliance status report is not available for the system. Rincon is in Arizona Department of Water Resources' ("ADWR") Pima Active Management Area ("AMA"). Staff received a Compliance Status Report from ADWR for Rincon Creek on August 4, 2010. ADWR reported that the Company is in compliance with its requirements governing water providers and/or community water systems. Staff concludes that the water system has adequate capacity to serve existing customers. Rincon is also in compliance with the Commission.

APPLICATION

On January 19, 2012, the three parties within the CC&N territory entered into a Well Sharing Agreement. That agreement gives each party an equal ownership in the well. Thus, there are no longer any customers, just shared well owners using the wells. Based on this agreement, Rincon filed an application for cancellation of its CC&N. In its application Rincon States that because the Company is no longer acting as a public service corporation, the Company is no longer subject to Commission Jurisdictions. The Company is making this assertion based on a change in the Company's structure. Rincon has wells and an infrastructure that serve three parties.

The Well Sharing Agreement ("the Agreement") addresses the installation and operation of meters. It also contains a separate section regarding the reading of the meters. The Agreement also includes the maintenance, operation and extraordinary situations where repairs are needed.

RECOMMENDATIONS

Based on the above, Staff recommends that the Commission approve the cancellation of Rincon's CC&N.

MEMORANDUM

DATE: February 8, 2012

TO: Kiana Sears
Executive Consultant

FROM: Dorothy Hains, P. E. DH
Utilities Engineer

RE: The Application of Rincon Creek Water Company for Order Cancelling
Certificate of Convenience and Necessity (Docket Nos. W- 03783A-12-0023)

INTRODUCTION

On January 23, 2012, Michael W. Schultz & Pamela J. Schultz dba Rincon Creek Water Company ("Rincon Creek" or "Company") filed an application ("Application") with the Arizona Corporation Commission ("ACC" or "Commission") for an appropriate order of the Commission declaring that the Company is no longer acting as a public service corporation as defined in Article 15, Section 2 of the Arizona Constitution and cancelling the Certificate of Convenience and Necessity ("CC&N"). In Decision Numbers 31532 and 31637, the Commission granted the Company its CC&N to provide water utility service to an approximately one and three-quarter square mile area in Sections 13, 14 and 23 of Township 15 South, Range 16 East and Section 18 in Township 15 South, Range 17 East, all in Pima County.

WATER SYSTEM

The Rincon Creek water system consists of two wells, two storage tanks, two pressure tanks and a distribution system serving five customers.¹ The Company does not meter the water used by its customers, therefore, reliable water use data to evaluate system adequacy and non-account water can not be determined at this time. However the pump yield data reported for the Company wells indicate that the water system has sufficient capacity to serve existing customers.²

WELL OWNERSHIP

According to Arizona Department of Water Resource's ("ADWR") well registration database, ADWR Well ID No. 55-620931 (the primary water system production well) produces a maximum 150 Gallon per Minute ("GPM") flow and is registered to Gilbert & Mary Elizabeth

¹ According to the Water Company Plant Description data provided in the Company's 2010 Annual Report filed with the Commission.

² Based on water pumped data reported to Arizona Department of Water Resources and provided to Staff (see Company response to Question No. 2 of July 21, 2010 Data Request), Rincon Creek pumped 9.71 acre ft water during 2009. Staff used this data to estimate the daily water usage per customer in Rincon.

Acosta. Commission Decision No. 58595, effective April 8, 1994, approved the transfer of Rincon Creek from Mary Acosta to the Shultzes. The backup well, ADWR ID No. 55-550957 (described as "other water source" in the Company's Annual Report)³, that is registered to Mr. Mike Schultz, is capable of producing a maximum flow of 600 GPM flow.⁴

If the Commission does not approve the Company's CC&N cancellation request, Staff recommends that the appropriate documents be filed with ADWR transferring ownership of the wells (referenced above) to the Company. Staff further recommends that the Company file ADWR documentation with the Commission's Docket Control, as a compliance item in this docket, showing that the ownership transfer has taken place. This documentation shall be filed within 180 days after the effective date of the decision in this matter.

METER INSTALLATION

Further, if the Commission does not approve the Company's CC&N cancellation request, Staff recommends that each customer's water usage be metered and that appropriately sized meters be installed on the wells so that reliable/accurate data is available to evaluate system adequacy and to determine the level of non-account water. Staff further recommends that the Company file documentation with the Commission's Docket Control, as a compliance item in this docket, showing that the installation of well meters and customer meters has taken place. This documentation shall be filed within 180 days after the effective date of the decision in this matter.

ANNUAL REPORT DATA

The Company has not been reporting water use data in its Commission Annual Reports as required because the water system was not equipped with the necessary customer meters. If the Commission does not approve the Company's CC&N cancellation request, Staff is recommending that these meters be equipped in the Rincon Creek water system within 12 months after the effective date of the decision in this matter. Staff recommends that the Company be required to report the actual water pumped data as read at the well meter on a monthly basis in future Annual Reports, beginning with the 2012 Annual Report filed in 2013. The Company should coordinate when it reads the well meters each month with when it reads the customer meters so that an accurate accounting of the water pumped and the water delivered to customers is determined.

WATER QUALITY AND CERTIFIED OPERATOR

Rincon Creek water system is classified a non-public water system by the Arizona Department of Environmental Quality ("ADEQ") because the system serves less than 15 connections. Because Rincon Creek water system is classified a semi-public water system it is not subject to

³ Staff understands this well is only used as a backup well at this time.

⁴ This well was designed to be irrigation well according to ADWR records.

ADEQ's monitoring and reporting requirements and a water quality compliance status report is not available for the system. Because of its size, Rincon Creek is not required to have a certified operator; however, according to information contained in the Application, Lee Lambert is the ADEQ certified operator of the water system. The Application also states that the Shirley's intend to continue with Lee Lambert as the system operator.

ACC AND ADWR COMPLIANCE

ADWR Compliance Status

Rincon Creek is in ADWR's Pima Active Management Area ("AMA"). Staff received a Compliance Status Report from ADWR for Rincon Creek on August 4, 2010. ADWR reported that the Company is in compliance with its requirements governing water providers and/or community water systems.

ACC Compliance

A check of the Utilities Division compliance database indicated that there is currently no delinquent compliance item for Rincon Creek.

TARIFFS

Curtailment

Rincon Creek does not have a curtailment tariff. If the Commission does not approve the Company's CC&N cancellation request, Staff recommends that a curtailment tariff be filed within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at <http://www.azcc.gov/Divisions/Utilities/forms/Curtailment%20Standard%202009.doc>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

Cross Connection or Backflow Prevention

Rincon Creek does not have a Cross Connection or Backflow Prevention tariff. If the Commission does not approve the Company's CC&N cancellation request, Staff recommends that a Cross Connection or Backflow Prevention tariff be filed within 45 days of the effective date of the Commission's Decision in this matter. The tariff shall be docketed as a compliance item under this docket number for the review and certification of Staff. Staff further recommends that the tariff shall generally conform to the sample tariff found on the Commission's website at

<http://www.azcc.gov/Divisions/Utilities/forms/CrossConnectBackflow.pdf>. Staff recognizes that the Company may need to make minor modifications to the sample tariff according to its specific management, operational, and design requirements as necessary and appropriate.

SUMMARY

Conclusions

1. Rincon Creek is in compliance with ACC and ADWR requirements.
2. Staff concludes that the water system has adequate capacity to serve existing customers.


Recommendations

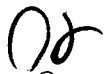
If the Commission does not approve the Company's CC&N cancellation request, Staff recommendations are:

1. Staff recommends that the appropriate documents be filed with ADWR transferring ownership of the wells to the Company. Staff further recommends that the Company file ADWR documentation with the Commission's Docket Control, as a compliance item in this docket, showing that the ownership transfer has taken place. This documentation shall be filed within 180 days after the effective date of the decision in this matter.
2. Staff recommends that each customer's water usage be metered and that appropriately sized meters be installed on the wells so that reliable/accurate data is available to evaluate system adequacy and to determine the level of non-account water. Staff further recommends that the Company file documentation with the Commission's Docket Control, as a compliance item in this docket, showing that the installation of well meters and customer meters has taken place. This documentation shall be filed within 180 days after the effective date of the decision in this matter.
3. Staff recommends that the Company be required to report the actual water pumped data as read at the well meter on a monthly basis in future Annual Reports. The Company should coordinate when it reads the well meters each month with when it reads the customer meters so that an accurate accounting of the water pumped and the water delivered to customers is determined.
4. Staff recommends that a curtailment tariff be filed within 45 days of the effective date of the Commission's Decision in this matter.
5. Staff recommends that a Cross Connection or Backflow Prevention tariff be filed within 45 days of the effective date of the Commission's Decision in this matter.

MEMORANDUM

TO: Kiana Sears
Executive Consultant I
Utilities Division

FROM: Lori H. Miller 
Programs & Projects Specialist II
Utilities Division

THRU: Del Smith 
Engineering Supervisor
Utilities Division

DATE: February 21, 2012

RE: **RINCON CREEK WATER COMPANY (DOCKET NO. W-03783A-12-0023)**

Rincon Creek has filed an application to cancel its CC#N.

Attached are copies of the maps for your files.

/lhm

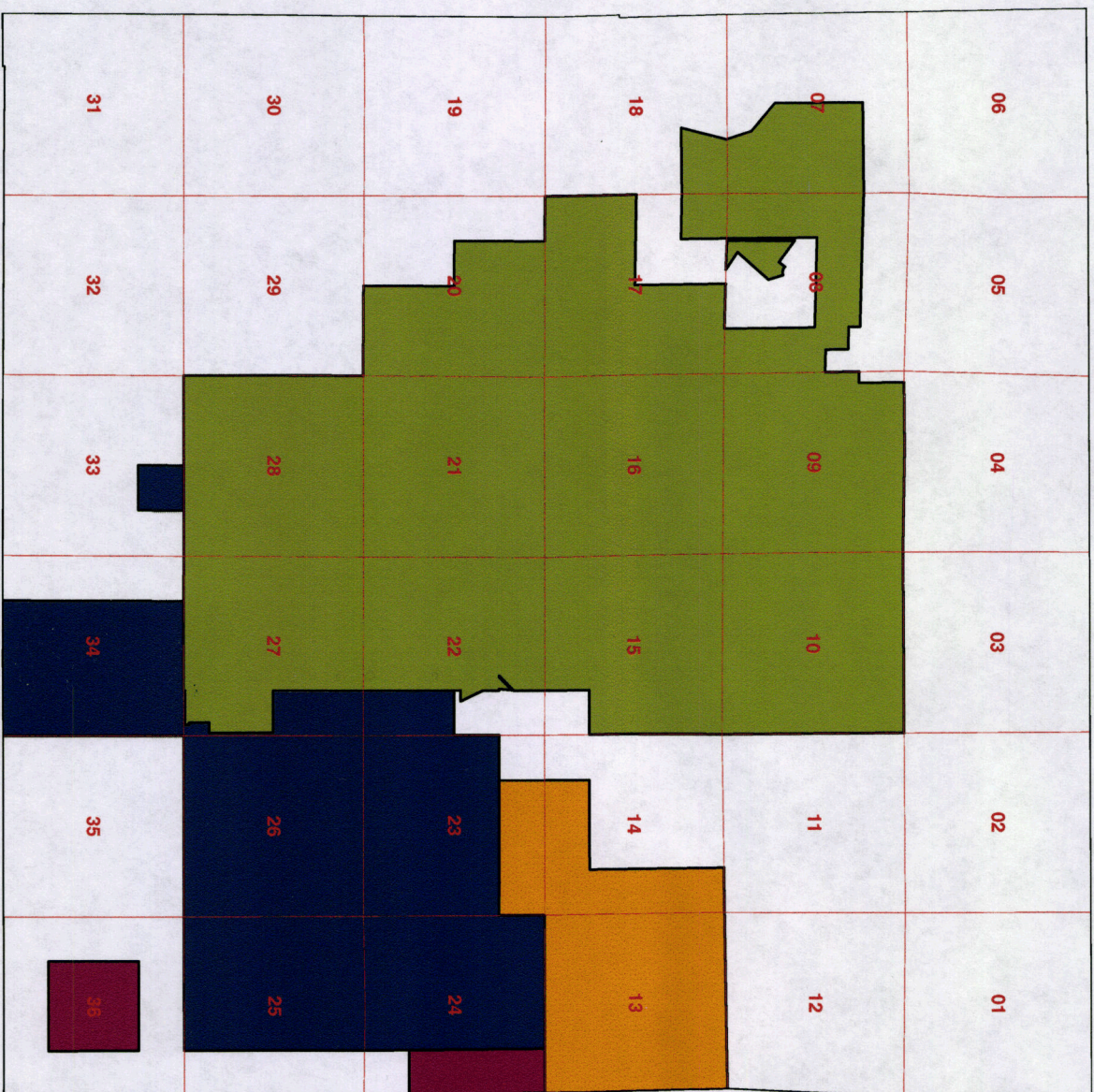
Attachment

cc: Mr. Lawrence V. Robertson, Jr.
Ms. Deb Person (Hand Carried)
Ms. Dorothy Hains
File

PIMA COUNTY

Map No. 29

RANGE 16 East



TOWNSHIP 15 South

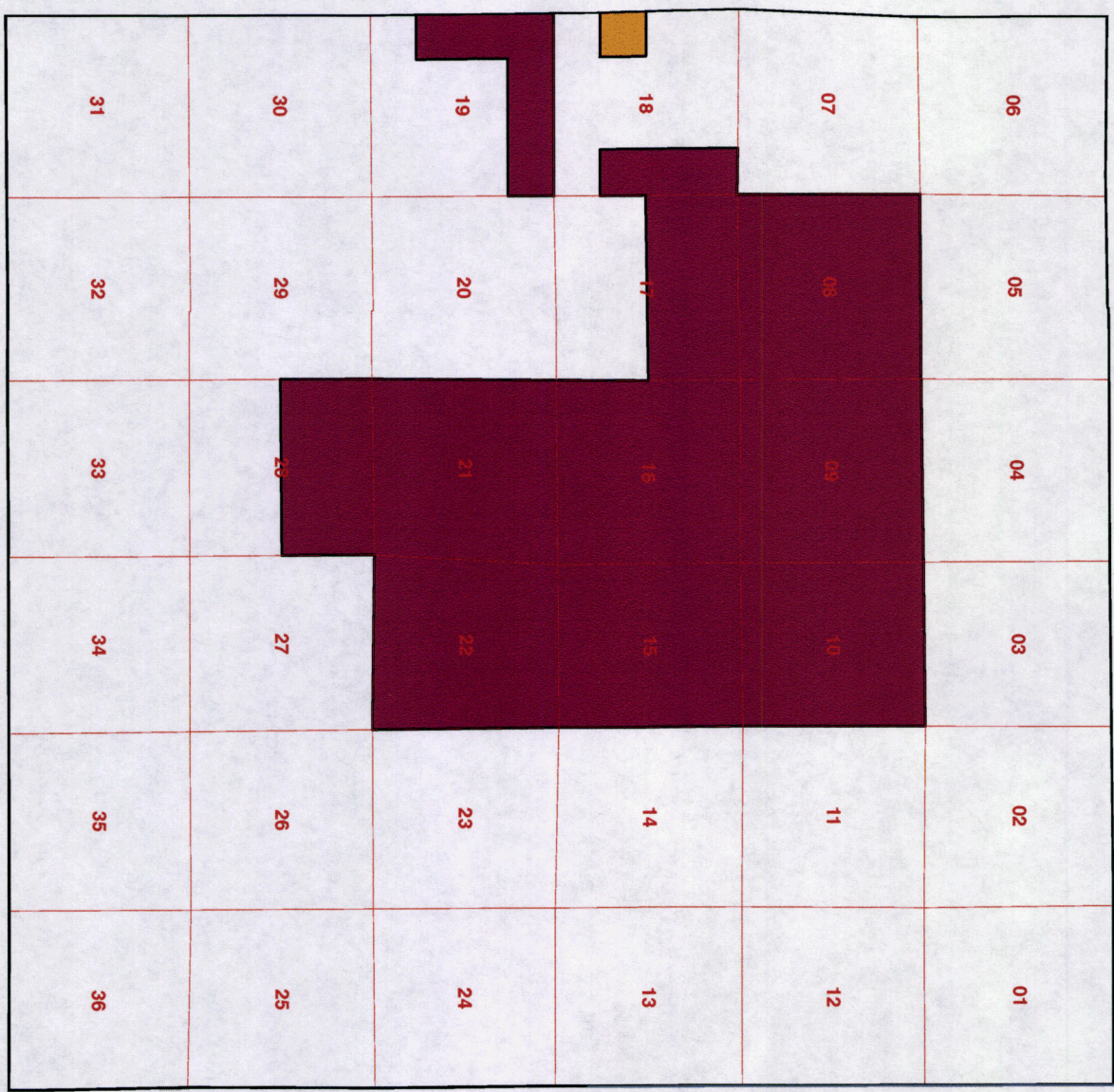
- W-01619A (2)
- Rincon Creek Water Company
- W-01723A (2)
- Rincon Water Company
- W-01790A (2)
- Saguaro Water Company
- W-01816A (1)
- Spanish Trail Water Company

Rincon Creek Water Company
Docket No. W-03783A-12-0023
Application to Cancel CC&N

PIMA COUNTY

Map No. 30

RANGE 17 East



TOWNSHIP 15 South



W-01619A (2)

Rincon Creek Water Company



W-01723A (2)

Rincon Water Company

Rincon Creek Water Company
Docket No. W-03783A-12-0023
Application to Cancel CC&N

PIMA COUNTY

